

Second-Party Opinion

Bancolombia Sustainability-Linked Financing Framework

Second-Party
Opinion



Reviewed by:

MORNINGSTAR

SUSTAINALYTICS

Evaluation Summary

Sustainalytics is of the opinion that the Bancolombia Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020. This assessment is based on the following:

- Selection of Key Performance Indicators** The Bancolombia Sustainability-Linked Financing Framework includes two KPIs: (1) Number of unbanked and underserved individuals given access to credit; and (2) Financed emissions intensity (tCO₂e/COP mn) (see Table 1). Sustainalytics considers the KPIs to be adequate based on materiality, relevance and scope of applicability.
- Calibration of Sustainability Performance Targets** Sustainalytics considers the SPTs to be aligned with Bancolombia's sustainability strategy. Sustainalytics further considers the SPTs to be ambitious based on past performance and peer analysis.
- Bond Characteristics** Bancolombia has disclosed that the financial characteristics of the sustainability-linked debt instruments issued under the Framework will be linked to the achievement of the two SPTs. The failure to achieve the SPTs on the relevant target observation dates will trigger a step-up margin or margin adjustment payable as per the transaction documentation. The coupon will remain at its initial level if the SPTs are achieved. Sustainalytics considers these levels of disclosure to be aligned with the Sustainability-Linked Bond Principles, noting that it does not opine on the adequacy of the magnitude of the financial penalty.
- Reporting** Bancolombia commits to report on an annual basis on its performance on the KPIs in its Integrated Report where sustainability performance is reported. Bancolombia commits to disclose relevant information enabling investors to monitor the level of ambition of the SPTs. The reporting commitments are aligned with the Sustainability-Linked Bond Principles 2020.
- Verification** Bancolombia S.A. commits to have external limited assurance conducted against each SPT for each KPI at least once a year, which is aligned with the Sustainability-Linked Bond Principles 2020.

Evaluation Date	September 23, 2022
Issuer Location	Medellin, Colombia

The SPTs contribute to the following SDGs:



Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Number of unbanked and underserved individuals given access to credit	2021	Adequate	SPT 1: Increase the number of unbanked and underserved individuals given access to credit by 531% by 2025 from a 2021 baseline	Ambitious
KPI 2: Financed emissions intensity (tCO ₂ e/COP mn)	2021	Adequate	SPT 2: Reduce financed emissions intensity by 36% by 2025 from a 2021 baseline	Ambitious

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Scope of Work and Limitations

Bancolombia S.A. (“Bancolombia” or the “Bank”) has engaged Sustainalytics to review its Sustainability-Linked Financing Framework dated September 2022 (the “Framework”) and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2020 (SLBP).¹

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent² opinion on the alignment of the Framework with the SLBP, as administered by ICMA.

As part of this engagement, Sustainalytics exchanged information with various members of Bancolombia’s management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. Bancolombia S.A.’s representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate or up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Bancolombia. Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance.³ The measurement and reporting of the KPIs is the responsibility of the issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Bancolombia has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks⁴ against which targets were set;
- (2) A material corporate action (such as a material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

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¹ The Sustainability-Linked Bond Principles were launched by ICMA in June 2020. They are administered by ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf>.

² When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

³ Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

⁴ Benchmarks refers to science-based benchmarks.

Introduction

Bancolombia is a full-service commercial bank headquartered in Medellin, Colombia, and has cross-border operations in Panama, Guatemala and El Salvador. The Bank has total assets of COP 291.5 trillion (USD 65.8 billion) as of March 2022 and currently has a workforce of approximately 30,000 employees.

Bancolombia intends to issue sustainability-linked bonds whose coupon rates are tied to the achievement of SPTs for two KPIs: (1) Number of unbanked and underserved individuals given access to credit; and (2) Financed emissions intensity (tCO₂e/COP mn).

Bancolombia has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the Sustainability-Linked Bond Principles 2020.

Bancolombia has defined the following KPIs and SPTs:

Table 1: KPI Definitions

KPI	Definition
KPI 1: Number of unbanked and underserved individuals given access to credit	<p>The KPI measures the number of unbanked or underserved individuals given credit facilities during a reporting period of 12 months (January to December).</p> <p>The Bank defines: (a) unbanked individuals as those without access to formal financial services; (b) underserved individuals as those whose access to loans is limited to the equivalent of two months minimum wage. Further, the Bank applies an annual income criterion of COP 60,000 to COP 3,000,000 (USD 14 to USD 690) to this market segment.</p>
KPI 2: Financed emissions intensity (tCO ₂ e/COP mn)	<p>The KPI measures the emissions intensity of the Bank's total loan portfolio, including in emissions-intensive sectors, namely: (a) coal and coal power, (b) power, (c) residential and commercial property, (d) cement, (e) oil and gas, (f) iron and steel, (g) cattle raising and (h) transport. The KPI is derived by dividing the Bank's total financed emissions, expressed in tonnes of CO₂ equivalent (tCO₂e), by the total loan portfolio, in millions of Colombian pesos (COP mn).</p> <p>Bancolombia calculates its financed emissions in accordance with the standards prescribed by the Partnership for Carbon Accounting Financials (PCAF).⁵</p>

Table 2: SPTs and Past Performance

KPI	2019	2020	2021 (baseline)	SPT 2025
KPI 1: Number of unbanked and underserved individuals given access to credit	4,556	27,728	238,623	SPT 1: Increase the number of unbanked and underserved individuals given access to credit by 531% by 2025 from a 2021 baseline
KPI 2: Financed emissions intensity (CO ₂ e/COP mn)	0.0475	0.0473	0.0369	SPT 2: Reduce financed emissions intensity by 36% by 2025 from a 2021 baseline

⁵ PCAF, "The Global GHG Accounting and Reporting Standard for the Financial Industry", at: <https://carbonaccountingfinancials.com/standard#the-global-ghg-accounting-and-reporting-standard-for-the-financial-industry>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of Bancolombia's Sustainability-Linked Financing Framework with the Sustainability-Linked Bond Principles

Sustainalytics is of the opinion that the Sustainability-Linked Financing Framework aligns with the five core components of the Sustainability-Linked Bond Principles 2020.



Selection of Key Performance Indicators

Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues; and ii) to what extent the KPI is applicable.

KPI 1: Number of unbanked and underserved individuals given access to credit

Sustainalytics considers KPI 1: Number of unbanked and underserved individuals given access to credit, to be material and relevant. The Sustainability Accounting Standards Board (SASB) identifies 'Financial Inclusion and Capacity Building' as a relevant issue for commercial banks.⁶ The KPI is highly relevant to Bancolombia's role as a financial institution in Colombia, where only 60% of the population have an account at a financial institution or with a mobile-money service provider.⁷

KPI 2: Financed emission intensity (tCO₂e/COP mn)

Sustainalytics considers KPI 2: Financed emission intensity, to be material and relevant. PCAF identifies as financed emissions as material and relevant for financial institutions.⁸ Additionally, Bancolombia has identified financed GHG emissions as a key ESG issue that needs to be addressed, mainly through credit policies aimed at reducing the Bank's exposure to coal and coal power sectors or through engagements with clients in emissions-intensive industries such as oil and gas, livestock, cement manufacturing, iron and steel manufacturing, air transportation, maritime transportation, and vehicle manufacturing.⁹

In terms of applicability, the loan portfolio covered by the KPI amounted to USD 28 billion in 2019, which constitutes approximately 78% of the Bank's USD 36 billion total loan portfolio.¹⁰ Regarding financed emissions, the KPI covers approximately 96% of Bancolombia's total measured GHG emissions.¹¹ Both measures indicate a high scope of applicability for KPI 2.

KPI Characteristics

In its assessment of the KPIs' characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology; ii) whether it follows an externally recognized definition; iii) whether the KPI is a direct measure of the issuer's performance on the material environmental or social issue; and iv) if applicable, whether the methodology can be benchmarked against an external contextual benchmark.¹²

⁶ SASB, "Financials Sector", (2018), at: https://www.sasb.org/wp-content/uploads/2018/11/Commercial_Banks_BFC_2018.pdf

⁷ The World Bank, "Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+) – Colombia", at: <https://data.worldbank.org/indicator/FX.OWN.TOTL.ZS?locations=CO>

⁸ PCAF, "The Global GHG Accounting and Reporting Standard for the Financial Industry", (2020), at: <https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>

⁹ Bancolombia, "Management Report 2021" (2022), at: <https://www.bancolombia.com/wcm/connect/1244f804-5f45-4599-beed-4251ac3ccd7d/INTEGRATED-ANNUAL-REPORT-2021.pdf?MOD=AJPERES>

¹⁰ Total portfolio includes Bancolombia's total loan portfolio plus its investment portfolio.

¹¹ Bancolombia's total GHG emissions include its lending and investment portfolio, as well as those from its own operations. It excludes consumer loan emissions as they are not yet measured.

¹² External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

KPI 1: Number of unbanked and underserved individuals given access to credit

Sustainalytics considers Bancolombia’s definition and methodology to calculate KPI 1 to be clear and consistent, since the number of individuals given access to credit is an absolute metric that is clearly defined and consistently followed since 2020. In addition, while the methodology is defined internally by the Bank, the selection criteria are aligned with the Colombian government’s definitions for low-income credits.¹³ Sustainalytics considers KPI 1 to be directly linked to the Bank’s social performance. Sustainalytics further notes that there are no external benchmarks available for assessing performance against social KPIs.

KPI 2: Financed emissions intensity (tCO₂e/COP mn)

Sustainalytics considers the definition and methodology to calculate KPI 2 to be clear and consistent given that the Bank follows PCAF standards in measuring financed emissions. These standards have been reviewed by the GHG Protocol and conform with the requirements set forth in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard for category 15 investment activities.¹⁴ Sustainalytics considers KPI 2 to be indirectly linked to the Bank’s sustainability performance. Sustainalytics further notes that there are no external benchmarks available for assessing performance against KPI 2.

Overall Assessment

Sustainalytics considers KPI 1: Number of individuals given access to credit to be adequate given that it: (i) directly measures Bancolombia’s performance relating to a material sustainability issue; (ii) represents a material sustainability topic for the Bank and the industry; and (iii) follows a clear and consistent methodology.

Sustainalytics considers KPI 2: Financed emissions intensity (tCO₂e/COP mn) to be adequate given that it: (i) indirectly measures Bancolombia’s performance on a material sustainability issue; (ii) has a high scope of applicability; (iii) represents a material sustainability topic for the Bank and the industry; and (iv) follows a clear, industry-defined methodology.

KPI(s)	Strength of KPI(s)			
KPI 1: Number of unbanked and underserved individuals given access to credit	Not Aligned	Adequate	Strong	Very strong
KPI 2: Financed emissions intensity (tCO ₂ e/COP mn)	Not Aligned	Adequate	Strong	Very strong



Calibration of Sustainability Performance Targets

Alignment with Bancolombia’s Sustainability Strategy

Bancolombia has set the following SPTs for its KPIs:

- SPT 1: Increase the number of unbanked and underserved individuals given access to credit by 531% by 2025 from a 2021 baseline
- SPT 2: Reduce financed emissions intensity by 36% by 2025 from a 2021 baseline

Sustainalytics considers the SPTs to be aligned with Bancolombia’s sustainability strategy. In 2021, Bancolombia created a financial well-being indicator that allowed the Bank to direct efforts in financial education, inclusion and financial advice in order to improve the financial well-being of clients, employees and communities where it operates. The indicator was built to contribute to economic reactivation and transform industries in a sustainable and inclusive manner, as well as to accelerate social development and protect the environment. During the same period, Bancolombia strengthened its impact investment strategy to provide financial and non-financial resources to organizations that generate positive impacts on society through their actions. This is aligned with the objectives

¹³ The Ministry of Finance & Public Credit in Colombia published a decree on 17th December 2014, creating a new line of credit for low amounts, called “el crédito de consumo de bajo monto”, at: <https://www.bancadelasoportunidades.gov.co/index.php/es/node/1040#:~:text=El%20Gobierno%20Nacional%20expidi%C3%B3%20el%20Decreto%202654%20de,creaci%C3%B3n%20del%20cr%C3%A9dito%20de%20consumo%20de%20bajo%20monto>.

¹⁴ PCAF, “The Global GHG Accounting and Reporting Standard for the Financial Industry”, (2020), at: <https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>

that the Bank has set as an organization: to strengthen the productive fabric, build sustainable cities and communities, and promote education and financial inclusion.

Regarding the environmental approach, Bancolombia has a well-defined Climate Change Strategy focused on three lines of action: (i) climate financing through the allocation of USD 11 billion by 2030 to finance the transition to a low-carbon economy; (ii) transition to a low-carbon economy through the implementation of a policy to guide clients in their own transition to a low-carbon economy in sectors such as oil and gas, cement, iron and steel, transport and livestock; and (iii) coal phase-out through progressively reducing its exposure to the thermal coal, coal power generation and coal mining sectors to zero by 2030. Further, in 2020 Bancolombia joined the Net-Zero Banking Alliance¹⁵ and started working with PCAF to implement a methodology to account for GHG emissions in its commercial and mortgage lending portfolios. In 2021, Bancolombia joined the Net Zero Asset Manager Initiative, an initiative signed by 273 asset managers as of May 2022 and through which signatories commit to work along with asset owner clients on decarbonization goals aiming to reach 100% of assets under management, set interim targets for the proportion of assets aligned with net zero emissions by 2050 or sooner, and review the targets at least every five years.¹⁶

Strategy to Achieve the SPTs

Bancolombia intends to achieve the SPTs through the following strategy:

SPT 1: Increase the number of unbanked and underserved individuals given access to credit by 531% by 2025 from a 2021 baseline

- Bancolombia has developed an in-house indicator that gives an overview on its clients' financial literacy and well-being. This indicator updates monthly using four variables – savings, debt level, non-performing loans and investment habits – that together describe the clients' financial habits and determine their financial well-being.
- The facilities under SPT 1 are unsecured personal loans that are offered based on the Bank's risk models and the financial literacy of its clients, who can decide to take them when needed without any paperwork and with an immediate disbursement.
- Bancolombia's rural financial education programme 'Cuentas sin cuentos' aims to strengthen the financial literacy of clients in remote areas of Colombia so they can start using financial products.
- Through open banking, the Bank is also planning to connect its services with different systems, such as public transportation payments, healthcare, telecommunication services and housing, to understand clients better and provide convenient payment services.

SPT 2: Reduce financed emissions intensity by 36% by 2025 from a 2021 baseline

- Bancolombia has committed to phasing out financing for coal and thermal coal energy generation by 2030. To that end, Bancolombia stopped long-term financing in January 2021 and will stop new short-term financing by January 2026. Further, the Bank expects to achieve this commitment by engaging with coal power generators and expects to reduce financed absolute GHG emissions from the coal and coal power sectors by 59% by 2025 compared to a 2021 baseline.
- The Bank has also set emission reduction pathways for all other power sector clients, and residential and commercial real estate. These pathways are intended to be aligned with the Science Based Targets initiative's (SBTi) Sectoral Decarbonization Approach-approved methodologies in 1.5°C or well-below 2°C scenarios. SBTi's approval is expected by the end of 2022. Based on these pathways, Bancolombia aims to achieve a 38% emissions intensity reduction in the power sector (measured in tCO₂/MWh), 32% in residential real estate (measured in kgCO₂e/m²) and 33% in commercial real estate (measured in tCO₂/MWh) by 2025 compared to a 2021 baseline.
- Bancolombia also expects to increase financing for renewable energy, sustainable mobility, sustainable construction and technological reconversion. Along with the strategies above mentioned, Bancolombia aims to achieve a 13% reduction of its total portfolio absolute emissions by 2025 compared to a 2021 baseline. This reduction is reflected in the numerator of intensity figures.

¹⁵ The Net-Zero Banking Alliance is an industry-led, UN-convened alliance of banks committed to aligning their lending and investment portfolios with net-zero emissions by 2050. More information is available at: <https://www.unepfi.org/net-zero-banking/>

¹⁶ The Net Zero Asset Managers initiative, "Commitment", at: <https://www.netzeroassetmanagers.org/commitment/>

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers: (i) whether the SPTs go beyond a business-as-usual trajectory, (ii) how the SPTs compare to targets set by peers, and (iii) and how the SPTs compare with science.¹⁷

Bancolombia has set the baseline for SPTs 1 and 2 at 2021, which represents the most recent and complete data for all KPIs.

SPT 1: Sustainalytics was able to use the following benchmarks to assess ambitiousness: historical performance and peer performance.

In 2019, Bancolombia launched a new type of credit for unbanked or underserved low-income individuals, which helped increase the number of these customers from 4,556 in 2019 to 27,728 people in 2020, a significant increase of new individuals given access to credit in the first couple of years. Between 2021 and 2022, these figures further increased from 238,623 individuals served to 536,461. Bancolombia intends to increase that number to 1,506,580 individuals by 2025, implying a compound annual growth rate of more than 58% between 2021 and 2025. Sustainalytics considers this growth to be significant.

Based on Sustainalytics’ assessment of Bancolombia’s peers, which include regional banks, Sustainalytics notes that many peers have programmes that target the same demographic but few have quantifiable targets. Therefore, Sustainalytics considers Bancolombia’s SPT 1 to be better than its peers’ targets.

SPT 2: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

Bancolombia reduced its financed emissions intensity by an average 0.53 percentage points annually from 2019 to 2021 and will need to reduce it by 0.33 percentage points annually from 2021 to 2025 to meet its target. Sustainalytics notes that the expected reduction will be slightly lower than previous years. However, Bancolombia has disclosed the expected absolute emission reductions: from 2019 to 2021, the CAGR of absolute GHG emissions was negative 3%, with emissions expected to decrease even further by 3.4% between 2021 and 2025.

Bancolombia’s target was compared with regional peers. Sustainalytics notes that none of the peers analyzed has set quantifiable targets to reduce financed emissions and address scope 3 emissions relating to their credit portfolios. Based on this, Sustainalytics considers Bancolombia to be performing above its peers in the region.

Overall Assessment

Sustainalytics considers SPT 1 to be ambitious given that it: (i) represents significant growth compared to historical performance; and (ii) is aligned with the targets of most regional peers.

Sustainalytics considers SPT 2 to be ambitious given that: (i) it is below historical performance but represents a sustained improvement in reduction of financed GHG emissions intensity; and (ii) Bancolombia performs above its peers in setting quantifiable targets to address its scope 3 emissions.

SPT(s)	Ambitiousness of SPT(s)			
SPT 1: Increase the number of unbanked and underserved individuals given access to credit by 531% by 2025 from a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2: Reduce financed emissions intensity by 36% by 2025 from a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Bond Characteristics

Bancolombia has disclosed that the financial characteristics of the sustainability-linked debt instruments issued under the Framework will be linked to the achievement of both SPTs. The failure to achieve the SPTs on the relevant target observation dates will trigger a step-up margin or margin adjustment payable as per the transaction documentation. The coupon will remain at its initial level if the SPTs are achieved. Sustainalytics considers these

¹⁷ We refer here to contextual benchmarks, that indicate the alignment of targets with ecosystem boundaries.

levels of disclosure to be aligned with the SLBP, noting that it does not opine on the adequacy of the magnitude of the financial penalty.



Reporting

Bancolombia commits to report on an annual basis on its progress on the KPIs and expects to include the relevant figures in its Integrated Report where its sustainability performance is reported, which is aligned with the SLBP. Bancolombia further commits to disclosing relevant information enabling investors to monitor the level of ambition of the SPTs.



Verification

Bancolombia commits to having an external verifier provide limited assurance against each SPT for each KPI at least once a year, which is aligned with the SLBP on verification.

Section 2: Assessment of Bancolombia's Sustainability Strategy

Credibility of Bancolombia's Sustainability Strategy

Bancolombia's sustainability strategy is embedded in its purpose to promote sustainable economic development.¹⁸ Bancolombia has a long history of reporting on sustainability issues, as the Bank has adopted the Equator Principles and the Performance Standards of the International Finance Corporation (IFC) in 2008, integrating environmental and social risks and impacts in the assessment of its financed projects.¹⁹ Bancolombia's sustainability approach is focused on three lines of action: (i) promoting financial inclusion through financial literacy programmes and products with a gender component; (ii) strengthening a productive network by supporting entrepreneurs including those in agriculture or rural areas and the technological reconversion of industries; and (iii) building sustainable cities and communities by supporting companies on the transition to a lower-carbon economy.²⁰

In 2021, Bancolombia established its 2030 Ambition to mobilize at least USD 140 billion in the areas mentioned above.²¹ Regarding its social ambitions, the Bank aims to deliver 2.2 million credits to individuals at the bottom of the pyramid, support initiatives that help to create or maintain more than 300,000 job opportunities in the agricultural sector, finance at least 40,000 new SMEs and entrepreneurs, help 442,000 families to access decent housing, and in alliance with the Corporación Colombia Internacional, help 500,000 rural women by enhancing access to education as well as financial and non-financial services and strengthening women owned businesses.^{22,23} In 2021, Bancolombia provided COP 9.4 trillion (USD 2.1 billion) in new loans to SMEs, disbursed COP 5.98 trillion (USD 1.4 billion) for housing credits and provided COP 6.2 trillion (USD 1.4 billion) credit lines to women.²⁴

Bancolombia's environmental strategy aims to avoid 9.3 million tCO₂e by allocating at least USD 11 billion in renewable energy, energy efficiency and sustainable mobility projects by 2030.²⁵ The Bank intends to achieve this through initiatives such as financing 55,000 electric and hybrid vehicles and 2,000 MW in renewable energy projects. In 2021, the Bank disbursed COP 178 billion (USD 40.4 million) in sustainable agriculture projects, financed 1,766 clean fuel vehicles, and provided COP 193 billion (USD 57.9 million)

¹⁸ Bancolombia, "Our purpose", at: <https://www.grupobancolombia.com/corporate/about-us/our-purpose>

¹⁹ Equator Principles, "Bancolombia S.A.", (2021), at: <https://equator-principles.com/report/bancolombia-s-a-2021/>

²⁰ Bancolombia, "Management Report", (2021), at:

<https://www.grupobancolombia.com/wcm/connect/www.grupobancolombia.com15880/45e61c1d-3efc-4d1f-8a0a-02a43a61fc57/INTEGRATED-ANNUAL-REPORT-2021.pdf?MOD=AJPERES&CVID=o7qJ7lh>

²¹ Bancolombia, "Our commitment with the sustainable development", (2021), at: <https://www.bancolombia.com/wps/wcm/connect/2bc81368-2c1d-425e-af60-650b40f7cda0/Our+business+ambitions+aligned+with+the+SDGs.pdf?MOD=AJPERES&CVID=nEhiQRO>

²² Ibid.

²³ Bancolombia, "Management Report", (2021), at:

<https://www.grupobancolombia.com/wcm/connect/www.grupobancolombia.com15880/45e61c1d-3efc-4d1f-8a0a-02a43a61fc57/INTEGRATED-ANNUAL-REPORT-2021.pdf?MOD=AJPERES&CVID=o7qJ7lh>

²⁴ Ibid.

²⁵ Bancolombia, "Our commitment with the sustainable development", (2021), at: <https://www.bancolombia.com/wps/wcm/connect/2bc81368-2c1d-425e-af60-650b40f7cda0/Our+business+ambitions+aligned+with+the+SDGs.pdf?MOD=AJPERES&CVID=nEhiQRO>

to photovoltaic and small hydroelectric power plants.²⁶ In addition, the Bank is a founding signatory of the United Nations Environment Programme Finance Initiative Principles for Responsible Banking and a member of the Net-Zero Banking Alliance and the Net Zero Asset Managers Initiative, committing to aligning its business with the 2015 Paris Agreement. Bancolombia also adopted the Task Force on Climate-Related Final Disclosure recommendations in 2019 and reported on climate change management and performance for the first time in 2021.²⁷ Bancolombia joined the SBTi in 2015, has defined CO₂ reduction targets for its direct operations and is currently working to define targets for its financed emissions.²⁸

Sustainalytics considers Bancolombia to have a strong sustainability strategy and considers that the SLBs will further support Bancolombia's sustainability strategy.

Bancolombia's Environmental and Social Risk Management

Overall, Sustainalytics notes that Bancolombia's overall management of material ESG risks is strong.²⁹ Sustainalytics also acknowledges that while Bancolombia's defined targets are impactful, achieving the SPTs could bear environmental and social risks related to product governance, human capital, and data privacy and security.

Sustainalytics comments below on Bancolombia's ability to mitigate such potential risks:

- Bancolombia conducts environmental and social risk analysis for its financing activities in line with the Equator Principles and the IFC Performance Standards. The vice president of risk management presents the projects to the sustainability committee, which comprises the risk, legal, sustainability, communications departments and other relevant areas to assess the feasibility and qualification of the projects. The sectors included in these assessments are tanneries, mining, animal slaughter and meatpacking plants, chemicals and agrochemicals, iron and steel, energy, sugar mills, oil palm, paper and cardboard, brickyard, transportation and storage of hazardous substances, food sector, animal feed production plants, animal-breeding farms for commercial purposes, poultry and swine farming, textile plants, forestry activities, fishing, and health.³⁰
- Bancolombia has set a Controversial Themes Policy, which highlights the exclusion of activities including those that involve slavery; forced or child labour; production and marketing of arms and munition except for state monopolies; controversial arms and weapons; projects that impact the land property of Indigenous peoples and ethnic minorities without a due process of public consultation and authorization from the authorities; and projects that impact protected areas.³¹
- The Bank has set internal mechanisms to mitigate risks against over-indebtedness by its customers. These policies include risk assessments of clients' jobs, income, expenses and financial literacy knowledge.³²
- Bancolombia's Code of Ethics and Conduct applies to all employees, the board of directors and everyone acting on behalf of the Bank. The code includes principles regarding financial consumers that address the Bank's approach to offer trustworthy services; protect the environment, human rights, people security, confidentiality and information handling, and privacy; and fight against fraud, corruption, money laundering, and terrorist financing.³³ The Bank also has an Ethics Hotline for registering complaints that violate its Code of Ethics and Conduct.³⁴
- Bancolombia has established a Human Rights Policy that encompasses the Bank's commitments to the human rights of its employees, suppliers, community, customers and individuals who may be affected by the financed projects. The policy

²⁶ Bancolombia, "Management Report", (2021), at:

<https://www.grupobancolombia.com/wcm/connect/www.grupobancolombia.com15880/45e61c1d-3efc-4d1f-8a0a-02a43a61fc57/INTEGRATED-ANNUAL-REPORT-2021.pdf?MOD=AJPERES&CVID=o7qJ7lh>

²⁷ Bancolombia, "Climate-related disclosure report 2021 Report", (2021), at: https://www.bancolombia.com/wps/wcm/connect/5aee24a2-9d9e-4ca4-b018-c4330430a381/Climate+related+disclosure+report_Grup+Bancolombia_2021.pdf?MOD=AJPERES&CVID=nHPYYG8

²⁸ Bancolombia, "Protocols And Standards Grupo Bancolombia", at: <https://www.bancolombia.com/wps/wcm/connect/7a440985-8f4f-4c11-9db3-f0ba6b55a6f1/Protocols+website.pdf?MOD=AJPERES&CVID=o3Nmfgi>

²⁹ Sustainalytics Global Access, "Bancolombia – ESG Risk Rating", (2022), at:

https://globalaccess.sustainalytics.com/#/research/company/Bancolombia_SA_0ae725f1-dbff-48aa-87e1-46a621eaa8b1/risk/overview

³⁰ Bancolombia, "Management Report", (2021), at:

<https://www.grupobancolombia.com/wcm/connect/www.grupobancolombia.com15880/45e61c1d-3efc-4d1f-8a0a-02a43a61fc57/INTEGRATED-ANNUAL-REPORT-2021.pdf?MOD=AJPERES&CVID=o7qJ7lh>

³¹ Bancolombia, "Controversial Themes Policy", (2021), at: <https://www.bancolombia.com/wps/wcm/connect/b8f2d58b-f652-43ce-b519-4f442b2d1a1f/ControversialIssuesPolicy.pdf?MOD=AJPERES&CVID=o7uKT65>

³² The Bank has shared with Sustainalytics additional documentation for its review to mitigate risks of client over-indebtedness.

³³ Bancolombia, "Code of Ethics and Conduct", at:

https://www.grupobancolombia.com/wcm/connect/www.grupobancolombia.com15880/2301e648-4d26-4933-afe0-353591b8a4ef/Code_of_Ethics_Bancolombia.pdf?MOD=AJPERES&CVID=n-ZOr39

³⁴ Bancolombia, "Code of Ethics - Ethics Hotline", at: <https://www.grupobancolombia.com/corporate/corporate-governance/code-ethics>

highlights the legal rights of communities to participate or be consulted prior to the development of any project that impacts them.³⁵

- The Bank's Privacy Policy applies to all subsidiaries and addresses clients, users, associates, employees, suppliers, allies and stakeholders in general, upon which the Bank conducts data processing activities as part of its operational and lending activities.³⁶ Through this policy, the Bank adheres to the following principles: legality in data processing, purpose, freedom, veracity or quality, transparency, restricted access and circulation, safety, and confidentiality. In Colombia, the 2012 Law 1581 governs data privacy issues and mandates the application of the principles mentioned above.³⁷
- Regarding cybersecurity, Bancolombia has implemented a series of strategies and policies that cover information security, cybersecurity, protection of personal data, and fraud management. The Committee of Cybersecurity which is composed of the vice-president of corporate services, vice-president of services Banco Agrícola, the vice-president of services Banitsmo, the manager of corporate services division BAM, the chief administrative services and security officer of Bancolombia, the chief human resources officer of Bancolombia, and the chief risks officer of the Bank is in charge of approving and overseeing these policies. Further, Bancolombia follows the requirements of ISO 27001, the National Institute of Standards and Technology and the Control Objectives for Information and Related Technologies.³⁸

In addition to the above, Sustainalytics has found no evidence of major environmental or social controversies related to Bancolombia. Overall, Sustainalytics considers that Bancolombia has strong management programmes and policies to mitigate the above risks.

Section 3: Impact of the SPTs

Importance of improving individual access to credit in Colombia

In 2021, only 60% of the population in Colombia had an account at a financial institution or with a mobile-money service provider.³⁹ Consumers' ability to access credit was significantly reduced after the economic uncertainty that emerged because of the COVID-19 pandemic. Many low- and middle-income Colombians suffered due to their income being heavily dependent on freelance work, informal commerce, and short-term contracts.⁴⁰ Between 2017 and 2021, account ownership grew by about 15 percentage points, while the gender gap for account access remained unchanged at around seven percentage points in Colombia.⁴¹ However, recent studies have shown that many consumers have avoided accumulating further debt by reducing usage of credit cards which ultimately impacted the economy's lending performance between 2020 and 2021.⁴²

According to World Bank research, when countries institute a strategy on national financial inclusion, they increase the pace and impact of reforms.⁴³ The Colombian government, on a similar note, is making efforts to support the most vulnerable sections of the society through greater financial inclusion as the country's gross consumer lending is expected to fully recover to pre-pandemic levels by 2023 (at constant 2021 prices).⁴⁴ However, this is expected to be a slow process as the threats from the COVID-19 pandemic wane and consumers gradually regain their confidence in obtaining debt.⁴⁵ Despite the social and economic stress in Colombia due to the pandemic, financial services including consumer credit have been indicating positive trends since 2021, in terms of the online financial environment, transactions and inclusion.⁴⁶

Based on the above, Sustainalytics is of the opinion that Bancolombia's investments in individual credit are expected to create positive social impacts by fostering financial inclusion among unbanked and underserved populations in Colombia.

³⁵ Bancolombia, "Human Rights Policy in Grupo Bancolombia, (2022), at: <https://www.bancolombia.com/wps/wcm/connect/67d2001d-5d87-4937-b0b6-9e496a550e63/HUMAN+RIGHTS+POLICY.pdf?MOD=AJPERES&CVID=o7eG3IT>

³⁶ Bancolombia, "Bancolombia Privacy Policy", (2020), at: <https://www.bancolombia.com/wps/wcm/connect/605c020c-a923-40b9-9189-62a3ca926493/Protection+Policy.pdf?MOD=AJPERES&CVID=nBrSZFF>

³⁷ Colombia, "Función Pública - Ley 1581 de 2012", (2012), at: <https://www.funcionpublica.gov.co/eva/gestornormativo/norma.php?i=49981>

³⁸ Bancolombia, "Ethical Bank – Cybersecurity", at: <https://www.bancolombia.com/wps/portal/about-us/corporate-information/sustainability/ethical-bank>

³⁹ The World Bank, "Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+) – Colombia", (2021), at: <https://data.worldbank.org/indicator/FX.OWN.TOTL.ZS?locations=CO>

⁴⁰ Euromonitor International, "Consumer Credit in Colombia", (2021), at: <https://www.euromonitor.com/consumer-credit-in-colombia/report#>

⁴¹ The World Bank, "The Global Findex Database 2021", (2022), at: <https://www.worldbank.org/en/publication/globalfindex/Report>

⁴² *Ibid.*

⁴³ The World Bank, "Financial Inclusion", (2022), at: <https://www.worldbank.org/en/topic/financialinclusion/overview>

⁴⁴ Euromonitor International, "Consumer Credit in Colombia", (2021), at: <https://www.euromonitor.com/consumer-credit-in-colombia/report#>

⁴⁵ Statista, "Bank customer trust levels worldwide in 2021, by country", (2021), at: <https://www.statista.com/statistics/1097139/consumer-trust-score-of-banks-worldwide-by-country/>

⁴⁶ Euromonitor International, "Consumer Credit in Colombia", (2021), at: <https://www.euromonitor.com/consumer-credit-in-colombia/report#>

Importance of reducing financed emissions in Colombia

In 2020, Colombia accounted for only 0.26% of the global CO₂ emissions⁴⁷ but ranked 11th in the world in terms of coal production.⁴⁸ Moreover, as of 2021, the country has not set any clear targets in terms of phasing out coal.⁴⁹ The country also continues to depend on fossil fuels for its energy needs through oil, natural gas and coal which make up 43%, 17% and 7% of the energy mix respectively.⁵⁰ It is also a major exporter of fossil fuels.⁵¹ In 2020, the Colombian government announced its target to achieve a 51% reduction in GHG emissions by 2030 which is aligned with the country's long-term strategy to be net-zero by 2050.⁵² Colombia is also set to prioritize cutting carbon emissions in oil and gas contracts, aiming to reduce CO₂ emissions by more than 85 million tonnes by 2030 through energy efficiency measures resulting in energy savings of around 10%.⁵³

The Colombian government has also identified the real estate sector as a focus area for reducing the country's GHG emissions. Buildings account for only 7% of total emissions in Colombia which is smaller than the emissions through the sector in many countries primarily because the country's economy is dependent on agriculture, forestry and land use. Despite this, the government has taken steps towards decarbonizing the sector with a new roadmap that bridges national targets with local action.⁵⁴ Colombia's National Roadmap for Net Zero Carbon Buildings launched in June 2022 by the Ministry of Environment and Sustainable Development aims to achieve net zero in all new buildings by 2030 and all buildings by 2050.⁵⁵

In terms of other carbon-intensive sectors, Colombia was the 58th largest exporter of iron and steel in the world as of 2020.⁵⁶ During the same period, transport emissions accounted for 35% of total energy-related emissions and has increased steadily by 2% yearly since 2019.⁵⁷ Half of road transport emissions are generated by freight transport, reflecting the freight sector's dependence on road transport and the use of diesel.⁵⁸ In 2022, Colombia's Ministry of Environment and Sustainable Development passed Resolution 0762, which mandates that all newly produced or imported heavy-duty vehicles with diesel-cycle, liquid natural gas, or liquid petroleum gas engines must, at minimum, comply with Euro VI or equivalent emission standards for heavy-duty vehicles by 2023.⁵⁹

Based on the above, Sustainalytics believes that Bancolombia's investments to help transition emission-intensive sectors – such as coal power, residential and commercial property, oil and gas, iron and steel, and transport – are expected to create positive environmental impacts and help reduce the carbon footprint of the economy in general.

⁴⁷ Our World in Data, "Colombia: CO₂ Country Profile", (2021), at: <https://ourworldindata.org/co2/country/colombia#what-share-of-global-co2-emissions-are-emitted-by-the-country>

⁴⁸ Worldometer, "Coal Production by Country", (2020), at: <https://www.worldometers.info/coal/coal-production-by-country/>

⁴⁹ Our World in Data, "When will countries phase out coal power?", (2021), at: <https://ourworldindata.org/coal-phase-out>

⁵⁰ ODI, "Colombia's energy transition: 3 opportunities facing President Petro", (2022), at: <https://odi.org/en/insights/colombias-energy-transition-3-opportunities-facing-president-petro/>

⁵¹ *Ibid.*

⁵² WWF, "Colombia pledges to reduce its GHG emissions by 51% by 2030", (2020), at: https://wwf.panda.org/wwf_news/?1152816/Colombia-2030-target-NDC

⁵³ The Economic Times, "Colombia to prioritize cutting carbon emissions in oil and gas contracts", (2022), at: <https://energy.economictimes.indiatimes.com/news/oil-and-gas/colombia-to-prioritize-cutting-carbon-emissions-in-oil-and-gas-contracts/91508904>

⁵⁴ World Resources Institute, "Colombia Launches National Roadmap for Net Zero Carbon Buildings", (2022), at: <https://www.wri.org/update/colombia-launches-national-roadmap-net-zero-carbon-buildings#:~:text=In%20Colombia%2C%20buildings%20account%20for%207%25%20of%20national,roadmap%20that%20bridges%20national%20targets%20with%20local%20action.>

⁵⁵ *Ibid.*

⁵⁶ OEC, "Iron and steel in Colombia", (2021), at: <https://oec.world/en/profile/bilateral-product/iron-and-steel/reporter/col>

⁵⁷ Climate Chance, "COLOMBIA TRANSPORT Sustainable urban mobility, rural accessibility and interurban connectivity: Colombia's 21st century transport challenges", (2021), at: https://www.climate-chance.org/wp-content/uploads/2021/04/eng_2021_transport_colombia_20210419_v6.pdf#:~:text=Colombia%E2%80%99s%20transport%20emissions%20represent%2035%25%20of%20total%20energy-related,of%20diesel%2C%20and%20the%20poor%20state%20of%20vehicles.

⁵⁸ *Ibid.*

⁵⁹ TransportPolicy.net, "COLOMBIA: HDV: EMISSIONS", (2022), at: <https://www.transportpolicy.net/standard/colombia-hdv-emissions/>

Alignment with/contribution to SDGs

The Sustainable Development Goals were adopted by the United Nations General Assembly in September 2015 and form part of an agenda for achieving sustainable development by 2030. The sustainability-linked bonds issued under the Framework are expected to help advance the following SDG goals and targets:

KPI	SDG	SDG Target
Number of unbanked and underserved individuals given access to credit	1. No poverty 8. Decent work and economic growth	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance. 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all
Financed emissions intensity (tCO ₂ e/COPmn)	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Conclusion

Bancolombia intends to issue sustainability-linked bonds tying the coupon rate to achievement of the following SPTs:

- (1) SPT 1: Increase the number of unbanked and underserved individuals given access to credit by 531% by 2025 from a 2021 baseline
- (2) SPT 2: Reduce financed emissions intensity by 36% by 2025 from a 2021 baseline

Sustainalytics considers the KPIs chosen to be to be adequate based on materiality, relevance and scope of applicability. Furthermore, Sustainalytics considers the SPTs to be to be ambitious based on past performance and peer analysis.

Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with the SLBP.

Based on the above, Sustainalytics considers the Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective achievement of the SPTs to be impactful.

Appendix 1: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: Bancolombia S.A.

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of second party opinion pre-issuance: September 23, 2022

Independent External Review provider's name for post-issuance verification (section 4): not known

Completion date of post issuance verification: not known

At the launch of the bond, the structure is:

- a step-up structure a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

- assessed all the following elements (complete review) only some of them (partial review):
- Selection of Key Performance Indicators (KPIs) Bond characteristics (acknowledgment of)
 - Calibration of Sustainability Performance Targets (SPTs) Reporting
 - Verification
- and confirmed their alignment with the SLBP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- Second Party Opinion Certification
- Verification Scoring/Rating

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Bancolombia intends to issue sustainability-linked bonds tying the coupon rate to achievement of the following SPTs:

SPT 1: Increase the number of unbanked and underserved individuals given access to credit by 531% by 2025 from a 2021 baseline

SPT 2: Reduce financed emissions intensity by 36% by 2025 from a 2021 baseline

Sustainalytics considers the KPIs chosen to be to be adequate based on materiality, relevance and scope of applicability. Furthermore, Sustainalytics considers the SPTs to be to be ambitious based on past performance and peer analysis.

Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with the SLBP.

Based on the above, Sustainalytics considers the Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective achievement of the SPTs to be impactful.

Section 3. Detailed pre-issuance review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Overall comment on the section (if applicable): The Bancolombia Sustainability-Linked Financing Framework includes 2 KPIs: (1) Number of unbanked and underserved individuals given access to credit; and (2) Financed emissions intensity (tCO₂e/COP mn). Sustainalytics considers KPIs 1 and 2 to be adequate based on materiality, relevance and scope of applicability.

List of selected KPIs:

- KPI 1: Number of unbanked and underserved individuals given access to credit
- KPI 2: Financed emissions intensity (tCO₂e/COP mn)

Definition, Scope, and parameters

- | | |
|--|---|
| <input checked="" type="checkbox"/> Clear definition of each selected KPIs | <input checked="" type="checkbox"/> Clear calculation methodology |
| <input type="checkbox"/> Other (please specify): | |

Relevance, robustness, and reliability of the selected KPIs

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials that the selected KPIs are relevant, core and material to the issuer’s sustainability and business strategy. | <input checked="" type="checkbox"/> Evidence that the KPIs are externally verifiable |
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis | <input type="checkbox"/> Evidence that the KPIs can be benchmarked |
| | <input type="checkbox"/> Other (please specify): |

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section (if applicable): Sustainalytics considers the SPTs to be aligned with Bancolombia’s sustainability strategy. Sustainalytics further considers the SPTs to be ambitious based on past performance and peer analysis.

Rationale and level of ambition

- | | |
|---|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
|---|---|

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer’s sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline |
| | <input type="checkbox"/> Other (please specify): |

Benchmarking approach

- | | |
|--|--|
| <input checked="" type="checkbox"/> Issuer own performance | <input checked="" type="checkbox"/> Issuer’s peers |
| <input type="checkbox"/> reference to the science | <input type="checkbox"/> Other (please specify): |

Additional disclosure

- | | |
|---|--|
| <input checked="" type="checkbox"/> potential recalculations or adjustments description | <input checked="" type="checkbox"/> issuer’s strategy to achieve description |
| <input checked="" type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (please specify): |

3-3 BOND CHARACTERISTICS

Overall comment on the section (if applicable): Bancolombia has disclosed that the financial characteristics of the sustainability-linked debt instruments issued under the Framework will be linked to the achievement of the two SPTs. The failure to achieve the SPTs on the relevant target observation dates will trigger a step-up margin or margin adjustment payable as per the transaction documentation. The coupon will remain at its initial level if the SPTs are achieved. Sustainalytics considers these levels of disclosure to be aligned with the Sustainability-Linked Bond Principles, noting that it does not opine on the adequacy of the magnitude of the financial penalty.

Financial impact:

- variation of the coupon
- margin adjustment
- Other (please specify): premium payment

Structural characteristic:

- Other (please specify):

3-4 REPORTING

Overall comment on the section (if applicable): Bancolombia S.A. commits to have external limited assurance conducted against each SPT for each KPI at least once a year, which is aligned with market expectations.

Information reported:

- | | |
|--|---|
| <input checked="" type="checkbox"/> performance of the selected KPIs | <input checked="" type="checkbox"/> verification assurance report |
| <input checked="" type="checkbox"/> level of ambition of the SPTs | <input type="checkbox"/> Other (please specify): |

Frequency:

- Annual Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify):
- Reporting reviewed (*if yes, please specify which parts of the reporting are subject to external review*):

Where appropriate, please specify name and date of publication in the “useful links” section.

Level of Assurance on Reporting

- limited assurance reasonable assurance
- Other (*please specify*):

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

Section 4. Post-issuance verification

Overall comment on the section (*if applicable*):

Information reported:

- limited assurance reasonable assurance
- Other (please specify):

Frequency:

- Annual Semi-annual
- Other (please specify):

Material change:

- Perimeter KPI methodology
- SPTs calibration

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